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(LICENSED SOLELY IN MEXICO)

May 29, 2002

Arizona Corporation Commission

DOCKETED

MAY 30 2002

Nancy Cole, Supervisor  
Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

DOCKETED BY	<i>nac</i>
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AZ CORP COMMISSION  
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2002 MAY 30 A 9:49

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Re: Docket no. E-00000A-02-0051

Dear Ms. Cole:

In a May 14, 2002 letter to Commissioners Irvin and Spitzer, and the parties in the above-referenced docket, Chairman Mundell requested that any such parties file

"... a notice that it [or its parent corporation, or any of its other affiliates or subsidiaries] has responded to FERC's data request [in FERC Docket No. PA02-000] and provide a summary of its response/admissions."

In response to that request, Sempra Energy Resources is submitting the enclosed ten (10) copies of the responses submitted to FERC by (i) Sempra Energy Resources, (ii) Sempra Energy Solutions, (iii) Sempra Energy Trading Corp. and (iv) San Diego Gas & Electric Company. As noted in the transmittal letter accompanying each response, the response in question was submitted on behalf of the entity therein named, and not on behalf of any affiliate of such entity.

For purposes of complying with Chairman Mundell's May 14, 2002 letter request, this transmittal letter is intended to serve as the requested form of "notice." In addition, inasmuch as each of the enclosed responses has been posted on the internet and, and is hereby provided in its entirety, we believe that the requested "summary" is being provided as well.

Nancy Cole, Supervisor  
May 29, 2002  
Page 2

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence V. Robertson, Jr.", with a stylized flourish at the end.

Lawrence V. Robertson, Jr.

LVR:cl

cc: Chairman William A. Mundell  
Commissioner Jim Irvin  
Commissioner Marc Spitzer  
Ernest Johnson  
Chris Kempley  
All parties of record

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2002 MAY 30 A 9:48

AZ CORP COMMISSION  
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May 21, 2002

Donald J. Gelinas  
Associate Director  
Office of Markets, Tariffs and Rates  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Docket No. PA02-2-000  
Response of Sempra Energy Solutions

Dear Mr. Gelinas:

Attached to this letter are the responses of Sempra Energy Solutions to your May 8, 2002 Data Request, as modified by your letter dated May 16, 2002, in the above-referenced docket. These responses are being submitted by Sempra Energy Solutions on its own behalf, and not on behalf of any of its affiliated companies. Also attached is the Affidavit of Robert N. Dickerman attesting to the information contained in Sempra Energy Solutions' responses.

Although Sempra Energy Solutions believes that it has met its obligation to review records and conduct interviews relevant to the Federal Energy Regulatory Commission's inquiries, Sempra Energy Solutions reserves the right to supplement its response if warranted by the discovery of additional information.

Respectfully submitted,

Sharon L. Cohen  
Attorney for  
Sempra Energy Solutions

Attachments (2)

SLC:dl

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Fact-Finding Investigation of Potential )  
Manipulation of Electric and Natural Gas )  
Prices )  
\_\_\_\_\_ )

Docket No. PA02-2-000

**RESPONSE OF SEMPRA ENERGY SOLUTIONS TO  
STAFF'S FIRST SET OF DATA REQUESTS**

Pursuant to the letters dated May 8, 2002 and May 16, 2002 to Sellers of Wholesale Electricity and/or Ancillary Services to the California Independent Systems Operator and/or the California Power Exchange During the Years 2000-2001, Sempra Energy Solutions submits its responses as set forth below. Sempra Energy Solutions reserves the right to supplement or modify any or all of its responses if warranted by the discovery of additional information.

**I. Requests for Admission ("RFA")**

**RFA A.1:** Admit or Deny: The company engaged in activity referred to in the Enron memoranda as "**Export of California Power**" during the period 2000-2001, in which the company buys energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets (which were capped) and uncapped markets outside California.

**Response:** Deny.

**RFA A.2:** If you so admit, provide complete details as to all transactions your company engaged in as part of this activity, including the dates of all purchases and sales of energy and/or ancillary services, counter-parties to the transactions, prices and volumes, delivery points, and corresponding Cal ISO schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not applicable ("N/A").

**RFA B.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as **"Non-Firm Export"** during the period 2000-2001, in which the company gets a counterflow (scheduling energy in the opposite direction of a constraint) congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California, and cutting the non-firm energy after it receives such payment.

**Response:** Deny.

**RFA B.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, congestion payments received, corresponding Cal ISO schedules, counter parties, and delivery points. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA C.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as **"Death Star"** during the period 2000-2001, in which the company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid. This allows the company to receive congestion payments from the Cal ISO.

**Response:** Deny.

**RFA C.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all transmission and energy schedules, the counter parties, all congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA D.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as **"Load Shift"** during the period 2000-2001. This variant of "relieving congestion" involves submitting artificial schedules in order to receive inter-zonal congestion payments. The appearance of congestion is created by deliberately over-scheduling load in one zone (e.g., NP-15), and under-scheduling load in another, connecting zone (e.g., SP-15); and shifting load from a congested zone to the less congested zone, thereby earning congestion payments for reducing congestion.

**Response:** Deny.

**RFA D.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all schedules of load by zone, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA E.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Get Shorty**" during the period 2000-2001, also known as "paper trading" of ancillary services in which it: (i) sells ancillary services in the Day-ahead market; and (ii) the next day, in the real-time market, the company "zeros out" the ancillary services by canceling the commitment to sell and buying ancillary services in the real-time market to cover its position. The phrase "paper trading" is used because the seller does not actually have the ancillary services to sell.

**Response:** Deny.

**RFA E.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this trading strategy, including the dates of all transactions; prices and volumes for sales of ancillary services in the Day-ahead market; the cancellation of such sales, prices and volumes for the purchase of ancillary services in the real-time market to cover the company's position; and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA F.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Wheel Out**" during the period 2000-2001. Knowing that an intertie is completely constrained (*i.e.*, its capacity is set at zero), or that a line is out of service, the company schedules a transmission flow over the facility. The company also knows that the schedule will be cut and it will receive a congestion payment without actually having to send energy over the facility.

**Response:** Deny.

**RFA F.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of

all transactions, corresponding schedules, counter parties, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA G.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Fat Boy**" during the period 2000-2001 in which the company artificially increases load on the schedule it submits to the Cal ISO with a corresponding amount of generation. The company then dispatches the generation its schedules, which is in excess of its actual load. This results in the Cal ISO paying the company for the excess generation. Scheduling coordinators that serve load in California may be able to use this activity to include the generation of other sellers.

**Response:** Deny.

**RFA G.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, and payments from the Cal ISO for excess generation (including both price and volumes). Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA H.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Ricochet**," also known as "megawatt laundering," during the period 2000-2001, in which the company: (i) buys energy from the Cal PX and exports to another entity, which charges a small fee; and (ii) the first company resells the energy back to the Cal ISO in the real-time market.

**Response:** Deny.

**RFA H.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, names of counter parties and whether they were affiliates, the fees charged, prices and volumes for energy that was bought and then resold. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA I.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as **"Selling Non-Firm Energy as Firm Energy"** during the period 2000-2001, in which the company sells or resells what is actually non-firm energy to the Cal PX, but claims that it is "firm" energy. This allows the company to receive payment from the Cal ISO for ancillary services that it claims to be providing, but does not in fact provide.

**Response:** Deny.

**RFA I.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, prices and volumes, and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA J.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as **"Scheduling Energy to Collect Congestion Charge II"** during the period 2000-2001, in which the company: (i) schedules a counterflow even though it does not have any available generation; (ii) in real time, the Cal ISO charges the company for each MW that it was short; and (iii) the company collects a congestion payment associated with the counterflow scheduled. This activity is profitable whenever the congestion payment is greater than the charge associated with the energy that was not delivered.

**Response:** Deny.

**RFA J.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, corresponding schedules, prices and volumes, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA K.1:** Admit or Deny: The company engaged in any activity during the period 2000-2001 that is a variant of any of the above-described activities or that is a variant of, or uses the activities known as, **"increasing load"** or **"relieving congestion,"** as described above.

**Response:** Deny.



**RFA K.2:** If you so admit, provide a narrative description of each specific time in which the company engaged in such activity and provide complete details of those transactions, including the dates of the transactions, counter parties, prices and volumes bought or sold, corresponding schedules, and any congestion payments received. Also, provide all documents that refer to or relate to such activities.

**Response:** N/A.

## **II. Requests for Production of Documents**

**Request A:** Provide copies of all communications or correspondence, including e-mail messages, instant messages, or telephone logs, between your company and any other company (including your affiliates or subsidiaries) with respect to all of the trading strategies discussed in the Enron memoranda (both the ten "representative trading strategies" as well as "inc-ing load" and "relieving congestion"). This request encompasses all transactions conducted as part of such trading strategies engaged in by your company and the other company in the U.S. portion of the WSCC during the period 2000-2001.

**Response:** Sempra Energy Solutions responds that it has conducted a diligent search for documents responsive to this Request, and that no documents responsive to this Request have been located.

**Request B:** Provide copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports, that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of the trading strategies discussed in the Enron memoranda, or similar trading strategies, in the U.S. portion of the WSCC during the period 2000-2001. The scope of this request encompasses all material that address or discuss your company's knowledge or awareness of *other* companies' use of the trading strategies discussed in the Enron memoranda, or similar trading strategies, including, but not limited to: (i) offers by such other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted; and (ii) possible responses by your companies to other companies' use of such trading strategies. To the extent that you wish to make a claim of privilege with respect to any responsive material, please provide an index of each of those materials, which includes the date of each individual document, its title, its recipient(s) and its sender(s), a summary of the contents of the document, and the basis of the claim of privilege.

**Response:**

Sempra Energy Solutions responds that it has conducted a diligent search for documents responsive to this Request, and that no documents responsive to this Request have been located.

### III. Requests for Other Information

**Request A:**

On page 2 of the December 8, 2000, Enron memorandum, the authors allege that traders have learned to build in under-scheduling of energy into their models and forecasts. State whether your company built under-scheduling into any of its models or forecasts during the period 2000-2001, and provide a narrative description of such activity. Provide copies of all such models or forecasts prepared by or relied on by your company during the period 2000-2001 that had under-scheduling built into them.

**Response:**

Sempra Energy Solutions responds that it did not build under-scheduling into any of its models or forecasts during the period 2000-2001, and therefore has no models or forecasts in its possession responsive to this Request.

**Request B:**

Refer to the discussion of the trading strategy described as "**Ricochet**" in the Enron memoranda. State whether your company purchased energy from, or sold energy to, any Enron company, including Portland General Electric Company, as part of a "**Ricochet**" (or megawatt laundering) transaction during the period 2000-2001. Provide complete details as to such transactions, including the dates of the transactions; the names, titles, and telephone numbers of the traders at your company who engaged in such transactions; the prices at which your company bought and sold such energy (on a per transaction basis); the volumes bought and sold (on a per transaction basis); delivery points; and all corresponding schedules.

**Response:**

Sempra Energy Solutions responds that, to its knowledge, it did not purchase energy from or sell energy to any Enron company, including Portland General Electric Company, as part of a "**Ricochet**" (or megawatt laundering) transaction during the period 2000-2001, and therefore has no documents in its possession responsive to the Request.

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May 22, 2002

Donald J. Gelinas  
Associate Director  
Office of Markets, Tariffs and Rates  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Docket No. PA02-2-000  
Responses of Semptra Energy Trading Corp.

Dear Mr. Gelinas:

Attached are the responses of Semptra Energy Trading Corp. ("SET") to your May 8, 2002 data request in the above-referenced docket. These responses are being submitted by SET on its own behalf, and not on behalf of any SET affiliate.<sup>1</sup>

Due Diligence Conducted in Preparing Responses

Since receiving your request, SET has devoted extensive resources in an effort to provide complete and accurate responses. To that end, SET identified and interviewed all currently-employed electricity traders, schedulers, managers, and operations personnel. SET reviewed transactions, relevant e-mails, documents and data relating to the your inquiries. SET does not maintain telephone logs. SET's phone lines for the above personnel are taped on a regular basis during the trading day. There is no way to conduct a transaction-specific review of these tapes, and we estimate that a complete review of these tapes would require approximately two years of man-hours. In SET's view, this would be unduly burdensome. Should you require that SET conduct this review, we would request your guidance on how to proceed. Finally, while SET believes that it has met its obligations in this response, SET reserves

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<sup>1</sup> Affiliates of SET are separately listed as respondents to Attachment A to your data request, and SET is advised that they are providing separate responses to your inquiry.

the right to supplement it if appropriate.

Description of Submittal

SET's data responses are provided in the following format. This cover letter provides certain procedural information. Attachment 1 to this letter provides responses to the specific questions posed in your May 8, 2002 data request. Attachment 2 to this letter is my affidavit attesting to all of the information contained in this response, including this cover letter and Attachment 1.

Sincerely,

Michael A. Goldstein  
Senior Vice President and  
General Counsel

Attachments

May 22, 2002

**Attachment 1**

**I. Requests for Admissions**

- A. 1. Admit or Deny: The company engaged in activity referred to in the Enron memoranda as "Export of California Power" during the period 2000-2001, in which the company buys energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets (which were capped) and uncapped markets outside California.**

Denied. SET did not buy energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets and markets outside of California, as described in the Enron memoranda. Those memoranda assume there existed a riskless opportunity to buy energy from the Cal PX for delivery at a profit to markets outside of California. In fact, the marketplace was and is more complicated and risky. SET, as a market participant, often had long and short positions in its energy portfolio and bore the risk of those positions until SET had an opportunity to satisfy them. These positions would have been satisfied through a combination of transactions within California and through both exports and imports, which took into account price differentials between markets, variable costs and the risks associated therewith, including the risk that transmission could be curtailed or constrained. For example, a long position could have been established by bidding for energy in the Cal PX day-ahead market. At the time of such bid, SET would not necessarily sell this energy to an export market because of transmission and other market risks, such as the risk that the constrained market clearing price actually paid by SET for such energy could be greater than SET's bid price. SET then bore the financial risk of its long position until it sold such energy the next day in the Cal PX day-of market, over-the-counter market, export market or the real-time market. Therefore, SET was not assured that it could buy energy at the Cal PX to take advantage of higher prices outside of California.

- 2. If you so admit, provide complete details as to all transactions your company engaged in as part of this activity, including the dates of all purchases and sales of energy and/or ancillary services, counter-parties to the transactions, prices and volumes, delivery points, and corresponding Cal ISO schedules. Also, provide all documents that refer or relate to the activity described immediately above.**

Not applicable.

- B. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Non-Firm Export" during the period 2000-2001, in which the company gets a counterflow (scheduling energy in the opposite direction of a constraint) congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California, and cutting the non-firm energy after it receives such payment.

Denied. SET did not schedule non-firm energy for export outside of California.

2. **If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, congestion payments received, corresponding Cal ISO schedules, counter parties, and delivery points. Also, provide all documents that refer or relate to the activity described immediately above.**

Not applicable.

- C. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Death Star" during the period 2000-2001, in which the company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid. This allows the company to receive congestion payments from the Cal ISO.

Denied. SET did not schedule energy in the opposite direction of congestion without actually putting energy onto or taking it off of the grid. The Cal ISO occasionally paid SET in connection with its operational grid management needs, but at all times SET's schedules were supported by valid and enforceable purchases, sales and transmission.

2. **If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all transmission and energy schedules, the counter parties, all congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.**

Not applicable.

- D. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Load Shift" during the period 2000-2001. This variant of "relieving congestion" involves submitting artificial schedules in order to receive inter-zonal congestion payments. The appearance of congestion is created by deliberately over-scheduling load in one zone (e.g., NP-15), and under-scheduling load in another, connecting zone (e.g., SP-15); and shifting load from a congested zone to the less congested zone, thereby earning congestion payments for reducing congestion.

Denied. SET did not submit artificial schedules in an attempt to create the appearance of congestion.

2. **If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all schedules of load by zone, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.**

Not applicable.

- E. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Get Shorty" during the period 2000-2001, also known as "paper trading" of ancillary services in which it: (i) sells ancillary services in the Day-ahead market; and (ii) the next day, in the real-time market, the company "zeros out" the ancillary services by cancelling the commitment to sell and buying ancillary services in the real-time market to cover its position. The phrase "paper trading" is used because the seller does not actually have the ancillary services to sell.

Denied. SET did not sell ancillary services in the day-ahead market and later cancel its commitment to do so in the real-time market. SET only sold ancillary services in the day-ahead market at the interties where SET was able to meet its commitments. To the extent that SET or the Cal ISO adjusted schedules due to changed circumstances (i.e., market opportunities, transmission line deratings or generation outages), SET would have had to transact for ancillary services in the hour-ahead market.

2. **If you so admit, provide complete details as to all transactions that your company engaged in as part of this trading strategy, including the dates of all transactions; prices and volumes for sales of ancillary services in the Day-ahead market; the cancellation of such sales, prices and volumes for the purchase of ancillary services in the real-time market to cover the company's position; and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately**



above.

Not applicable.

- F. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Wheel Out" during the period 2000-2001. Knowing that an intertie is completely constrained (*i.e.*, its capacity is set at zero), or that a line is out of service, the company schedules a transmission flow over the facility. The company also knows that the schedule will be cut and it will receive a congestion payment without actually having to send energy over the facility.

Denied. SET did not schedule transmission over a facility knowing that an intertie was completely constrained, that a line was out of service, or that the schedule would be cut.

2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, counter parties, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

Not applicable.

- G. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Fat Boy" during the period 2000-2001 in which the company artificially increases load on the schedule it submits to the Cal ISO with a corresponding amount of generation. The company then dispatches the generation it schedules, which is in excess of its actual load. This results in the Cal ISO paying the company for the excess generation. Scheduling coordinators that serve load in California may be able to use this activity to includes the generation of other sellers.

Denied. SET did not artificially increase load on any schedule submitted to the Cal ISO because it was able to anticipate that the real-time price would be favorable or because SET knew that the market would be short, as described in the Enron memoranda. As a Scheduling Coordinator, there were instances in which SET overscheduled load based on its view of the market, including the inherent difficulty of matching generation to load. In all these instances, SET accepted the financial risk as a price taker in providing excess energy to the marketplace.

2. If you so admit, provide complete details as to all transactions that your

company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, and payments from the Cal ISO for excess generation (including both price and volumes). Also, provide all documents that refer or relate to the activity described immediately above.

Not applicable.

- H. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Ricochet," also known as "megawatt laundering," during the period 2000-2001, in which the company: (i) buys energy from the Cal PX and exports to another entity, which charges a small fee; and (ii) the first company resells the energy back to the Cal ISO in the real-time market.

Denied. SET did not buy energy from the Cal PX which it then exported to another entity, for a fee, in order to resell the same energy back to the Cal ISO in the real-time market.

2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, names of counter parties and whether they were affiliates, the fees charged, prices and volumes for energy that was bought and then re-sold. Also, provide all documents that refer or relate to the activity described immediately above.

Not applicable.

- I. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Selling Non-firm Energy as Firm Energy" during the period 2000-2001, in which the company sells or resells what is actually non-firm energy to the Cal PX, but claims that it is "firm" energy. This allows the company to receive payment from the Cal ISO for ancillary services that it claims to be providing, but does not in fact provide.

Denied. SET did not sell or resell non-firm energy to the Cal PX which it claimed to be "firm" energy in order to receive payment from the Cal ISO for ancillary services which it did not provide.

2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, prices and volumes, and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

Not applicable.

- J. 1. **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "Scheduling Energy to Collect Congestion Charge II" during the period 2000-2001, in which the company: (i) schedules a counterflow even though it does not have any available generation; (ii) in real time, the Cal ISO charges the company for each MW that it was short; and (iii) the company collects a congestion payment associated with the counterflow scheduled. This activity is profitable whenever the congestion payment is greater than the charge associated with the energy that was not delivered.

Denied. SET did not schedule a counterflow, without having available generation, in order to collect a congestion payment.

2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, corresponding schedules, prices and volumes, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

Not applicable.

- K. 1. **Admit or Deny:** The company engaged in any activity during the period 2000-2001 that is a variant of any of the above-described activities or that is a variant of, or uses the activities known as, "inc-ing load" or "relieving congestion," as described above.

Denied. SET did not engage in any activity during the period 2000-2001 that it believes is a variant of any of the above-described activities or is a variant of, or uses the activities known as, "inc-ing load" or "relieving congestion," as described in the Enron memoranda. As part of the ordinary course of its participation in the market, SET took long and short positions in different markets in order to purchase and sell energy for its customers and itself. As with any net position, SET bore the financial risks associated with the marketplace.

2. If you so admit, provide a narrative description of each specific time in which the company engaged in such activity and provide complete details of those transactions, including the dates of the transactions, counter parties, prices and volumes bought or sold, corresponding schedules, and any congestion payments received. Also, provide all documents that refer to or relate to such activities.

Not applicable.

**II. Requests for Production of Documents**

- A. Provide copies of all communications or correspondence, including e-mail messages, instant messages, or telephone logs, between your company and any other company (including your affiliates or subsidiaries) with respect to all of the trading strategies discussed in the Enron memoranda (both the ten "representative trading strategies" as well as "inc-ing load" and "relieving congestion"). This request encompasses all transactions conducted as part of such trading strategies engaged in by your company and the other company in the U.S. portion of the WSCC during the period 2000-2001.

Based on its review and investigation, SET did not produce any documents responsive to this request.

- B. Provide copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports, that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of the trading strategies discussed in the Enron memoranda, or similar trading strategies, in the U.S. portion of the WSCC during the period 2000-2001. The scope of this request encompasses all material that address or discuss your company's knowledge or awareness of *other* companies' use of the trading strategies discussed in the Enron memoranda, or similar trading strategies, including, but not limited to: (i) offers by such other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted; and (ii) possible responses by your companies to other companies' use of such trading strategies. To the extent that you wish to make a claim of privilege with respect to any responsive material, please provide an index of each of those materials, which includes the date of the each individual document, its title, its recipient(s) and its sender(s), a summary of the contents of the document, and the basis of the claim of privilege.

Based on its review and investigation, SET did not produce any documents responsive to this request.

**III. Requests for Other Information**

- A. On page 2 of the December 8, 2000, Enron memorandum, the authors allege that traders have learned to build in under-scheduling of energy into their models and forecasts. State whether your company built under-scheduling into any of

its models or forecasts during the period 2000-2001, and provide a narrative description of such activity. Provide copies of all such models or forecasts prepared by or relied on by your company during the period 2000-2001 that had under-scheduling built into them.

SET does not do any modeling to forecast prices or scheduling. Accordingly, there are no models or forecasts into which under-scheduling has been built.

- B. Refer to the discussion of the trading strategy described as "Ricochet" in the Enron memoranda. State whether your company purchased energy from, or sold energy to, any Enron company, including Portland General Electric Company, as part of a "Ricochet" (or megawatt laundering) transaction during the period 2000-2001. Provide complete details as to such transactions, including the dates of the transactions; the names, titles, and telephone numbers of the traders at your company who engaged in such transactions; the prices at which your company bought and sold such energy (on a per transaction basis); the volumes bought and sold (on a per transaction basis); delivery points; and all corresponding schedules.

SET did not purchase energy from, nor did it sell energy to, any Enron company, including Portland General Electric Company, as part of a "Ricochet" (or megawatt laundering) transaction during the period 2000-2001.

Attachment 2

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Fact-Finding Investigation of  
Potential Manipulation of  
Electric and Natural Gas Prices

)  
)  
)  
)  
)

Docket No. PA02-2-000

Affidavit of Michael A. Goldstein

County of Fairfield )

) ss.:

State of Connecticut )

Michael A. Goldstein, being duly sworn according to law, on oath deposes and says: That he is Senior Vice President and General Counsel of Semptra Energy Trading Corp., and that the information and documents provided in the cover letter and Attachment 1 attached hereto constitute a response that is true and accurate to the best of his knowledge, information, and belief formed, after a thorough investigation was diligently conducted (the process and scope of which is described in the cover letter), under his supervision and control, into the trading activities of SET's employees and agents in the U.S. portion of the WSCC during the years 2000 and 2001.

\_\_\_\_\_  
Michael A. Goldstein

Subscribed and sworn to before me, the undersigned Notary Public, the \_\_\_\_ day of May,  
2002.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

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James F. Walsh, III  
Attorney

101 Ash Street  
San Diego, CA 92101-3017

Tel: 619-699-5022  
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jwalsh@sempra.com

PUF 100  
PA02-2-000

May 21, 2002

Donald J. Gelinas  
Associate Director  
Office of Markets, Tariffs and Rates  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Docket No. PA02-2-000

Dear Mr. Gelinas:

Attached are responses of San Diego Gas & Electric Company ("SDG&E") to your May 8, 2002, data request, as supplemented, in the above-referenced docket. These responses are being submitted by SDG&E, on its own behalf, and not on behalf of any SDG&E affiliate.

SDG&E has reviewed transactions, relevant e-mails, documents and data relating to the Commission's inquiries. SDG&E does not maintain telephone logs. However, SDG&E's phone lines for its electricity traders and schedulers are taped, with some exceptions, during each trading day. We estimate that a complete review of these tapes would require a substantial amount of personnel commitment. In SDG&E's view, this would be unduly burdensome. However, if the Commission requires SDG&E to undertake this review, I would request that we discuss with you how it can be accomplished in the most efficient manner possible without unnecessarily disrupting the activities of the responsible personnel. Lastly, although SDG&E believes that it has met its obligations to review relevant e-mails and other documents to form a conclusion as to the Commission's inquiries, SDG&E reserves the right to supplement its response if new information comes to light.

Attached to this letter are the following documents:

1. Attachment 1: Affidavit of SDG&E's James Avery, Senior Vice President of Electric Transmission.

Mr. Donald Gelinas  
Federal Energy Regulatory Commission  
May 21, 2002  
Page 2

2. Attachment 2: SDG&E's responses to the Commission's May 8, 2002, data request.
3. Attachment 3: Relevant documents.

Respectfully submitted,

James F. Walsh  
Attorney for San Diego Gas & Electric  
Company

JFW/sy  
Enclosure(s)



UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Fact-Finding Investigation of Potential )  
Manipulation of Electric and Natural Gas )  
Prices )  
\_\_\_\_\_ )

Docket No. PA02-2-000

**RESPONSE OF SAN DIEGO GAS & ELECTRIC COMPANY ("SDG&E") TO  
STAFF'S FIRST SET OF DATA REQUESTS**

**I. Requests for Admissions ("RFA")**

At no time during the period of 2000-2001 did San Diego Gas & Electric Company ("SDG&E") engage in the trading activities described in the May 8, 2002 memorandum, as amended, from Donald J. Gelinis, Associate Director, Office of Markets, Tariffs and Rates, that had or could have had the effect of manipulating short-term prices for electric energy in the California Independent System Operator Real-Time Market (or Imbalance Energy Market) and California Power Exchange Day-Ahead and Hour-Ahead Markets, resulting in potentially unjust and unreasonable rates. SDG&E's trading activities at all times were undertaken in a fashion that was consistent with market mechanisms approved by the Federal Energy Regulatory Commission.

**RFA A.1.:** Admit or Deny: The company engaged in activity referred to in the Enron memoranda as "**Export of California Power**" during the period 2000-2001, in which the company buys energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets (which were capped) and uncapped markets outside California.

**Response:** SDG&E denies that it engaged in a pattern of activity referred to in the Enron memoranda as "Export of California Power" during the 2000-2001 period.

However, on one occasion on December 6, 2000 SDG&E purchased 100 MW per hour in the Cal PX Day-Ahead market during the on-peak hours for export to PacifiCorp. In doing so SDG&E was a price taker of congestion at Malin and, therefore, assumed the potential price risk should the export have resulted in congestion management charges being applied to deliveries to

PacifiCorp. SDG&E was willing to proceed with this transaction because it viewed that the likelihood of incurring such a congestion charge was acceptably small. The details of this transaction are that the purchase from the PX Day-Ahead Market was made during hours 08 through 22 at a total cost of \$653,282. This cost was comprised of energy costs at the PX Day-Ahead price of \$250/MWhr plus congestion charges of \$150/MWhr for 14 hours and \$200/MWhr for 2 hours. Total energy costs were \$400,000 and total congestion charges were \$250,000. Additionally, "wheeling out" charges were imposed on the transaction of approximately \$3,000. The sale price to PacifiCorp was \$285/MWhr. As a result of this transaction, SDG&E received payment from PacifiCorp of \$456,000, resulting in a net loss of \$197,282 to SDG&E.

**RFA A.2.:** If you so admit, provide complete details as to all transactions your company engaged in as part of this activity, including the dates of all purchases and sales of energy and/or ancillary services, counterparties to the transactions, prices and volumes, delivery points, and corresponding Cal ISO schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** See Response to RFA A.1.

**RFA B.1.:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Non-Firm Export**" during the period 2000-2001, in which the company gets a counterflow (scheduling energy in the opposite direction of a constraint) congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California, and cutting the non-firm energy after it receives such payment.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Non-Firm Export" during the 2000-2001 period.

**RFA B.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, congestion payments received, corresponding Cal ISO schedules, counter parties, and delivery points. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not applicable.

**RFA C.1.:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Death Star**" during the period 2000-2001, in which the company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid. This allows the company to receive congestion payments from the Cal ISO.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Death Star" during the 2000-2001 periods.

**RFA C.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all transmission and energy schedules, the counter parties, all congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA D.1.:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Load Shift**" during the period 2000-2001. This variant of "relieving congestion" involves submitting artificial schedules in order to receive inter-zonal congestion payments. The appearance of congestion is created by deliberately over-scheduling load in one zone (e.g., NP-15), and under-scheduling load in another, connecting zone (e.g., SP-15); and shifting load from a congested zone to the less congested zone, thereby earning congestion payments for reducing congestion.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Load Shift" during the 2000-2001 period.

**RFA D.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all schedules of load by zone, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA E.1.:**

Admit or Deny: The company engaged in activity described in the Enron memoranda as "Get Shorty" during the period 2000-2001, also known as "paper trading" of ancillary services in which it: (i) sells ancillary services in the Day-Ahead Market; and (ii) the next day, in the Real-Time Market, the company "zeros out" the ancillary services by canceling the commitment to sell and buying ancillary services in the Real-Time Market to cover its position. The phrase "paper trading" is used because the seller does not actually have the ancillary services to sell.

**Response:**

SDG&E denies that it engaged in the activity described in the Enron memoranda as "Get Shorty" during the 2000-2001 period. In each and every case in which SDG&E sold ancillary services in the Day-Ahead Market, SDG&E denies that next day in the Real-Time Market, it "zeroed out" the ancillary services bid by canceling the commitment to sell and buying ancillary services in the Real-Time Market to cover its position. In each and every case in which SDG&E sold into the ISO's Day-Ahead ancillary services markets SDG&E had the ability to either (i) deliver the services as contracted, or (ii) cancel its commitment to sell by buying back its Day-Ahead commitment in the ISO's Hour-Ahead ancillary services market. Every sale by SDG&E into the ISO's Day-Ahead and Hour-Ahead ancillary services markets was covered by a generating resource or, in the case of external imports, a selling entity.

**RFA E.2.:**

If you so admit, provide complete details as to all transactions that your company engaged in as part of this trading strategy, including the dates of all transactions; prices and volumes for sales of ancillary services in the Day-Ahead Market; the cancellation of such sales, prices and volumes for the purchase of ancillary services in the Real-Time Market to cover the company's position; and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:**

Not applicable.

**RFA F.1.:**

Admit or Deny: The company engaged in activity described in the Enron memoranda as "Wheel Out" during the period 2000-2001. Knowing that an intertie is completely constrained (*i.e.*, its capacity is set at zero), or that a line is out of service, the company schedules a transmission flow over the facility. The company also knows that the schedule will be cut and it will receive a congestion payment without actually having to send energy over the facility.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Wheeling Out" during the 2000-2001 period.

**RFA F.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, counter parties, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA G.1.:** **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "**Fat Boy**" during the period 2000-2001 in which the company artificially increases load on the schedule it submits to the Cal ISO with a corresponding amount of generation. The company then dispatches the generation its schedules, which is in excess of its actual load. This results in the Cal ISO paying the company for the excess generation. Scheduling coordinators that serve load in California may be able to use this activity to include the generation of other sellers.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Fat Boy" during the 2000-2001 period.

**RFA G.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, and payments from the Cal ISO for excess generation (including both price and volumes). Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA H.1.:** **Admit or Deny:** The company engaged in activity described in the Enron memoranda as "**Ricochet**," also known as "megawatt laundering," during the period 2000-2001, in which the company: (i) buys energy from the Cal PX and exports to another entity, which charges a small fee; and (ii) the first company resells the energy back to the Cal ISO in the Real-Time Market.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Ricochet" during the 2000-2001 period.

**RFA H.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, names of counter parties and whether they were affiliates, the fees charged, prices and volumes for energy that was bought and then resold. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA I.1.:** ~~Admit or Deny:~~ The company engaged in activity described in the Enron memoranda as "**Selling Non-Firm Energy as Firm Energy**" during the period 2000-2001, in which the company sells or resells what is actually non-firm energy to the Cal PX, but claims that it is "firm" energy. This allows the company to receive payment from the Cal ISO for ancillary services that it claims to be providing, but does not in fact provide.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Selling Non-firm Energy as Firm Energy" during the 2000-2001 period.

**RFA I.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, prices and volumes, and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA J.1.:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Scheduling Energy to Collect Congestion Charge II**" during the period 2000-2001, in which the company: (i) schedules a counterflow even though it does not have any available generation; (ii) in real time, the Cal ISO charges the company for each MW that it was short; and (iii) the company collects a congestion payment associated with the counterflow scheduled. This activity is profitable whenever the congestion payment is greater than the charge associated with the energy that was not delivered.

**Response:** SDG&E denies that it engaged in the activity described in the Enron memoranda as "Scheduling Energy to Collect Congestion Charge II" during the 2000-2001 period.

**RFA J.2.:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, corresponding schedules, prices and volumes, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not Applicable.

**RFA K.1.:** Admit or Deny: The company engaged in any activity during the period 2000-2001 that is a variant of any of the above-described activities or that is a variant of, or uses the activities known as, "inc-ing load" or "relieving congestion," as described above.

**Response:** SDG&E denies that it engaged in the activity referred to as "inc-ing load" and in "relieving congestion", as described in the Enron memoranda, during the 2000-2001 period. An explanation of SDG&E's bidding policies and practices is set forth in response to Data Request III.A.

**RFA K.2.:** If you so admit, provide a narrative description of each specific time in which the company engaged in such activity and provide complete details of those transactions, including the dates of the transactions, counter parties, prices and volumes bought or sold, corresponding schedules, and any congestion payments received. Also, provide all documents that refer to or relate to such activities.

**Response:** Not applicable.

## **II. Requests for Production of Documents**

**Request A:** Provide copies of all communications or correspondence, including e-mail messages, instant messages, or telephone logs, between your company and any other company (including your affiliates or subsidiaries) with respect to all of the trading strategies discussed in the Enron memoranda (both the ten "representative trading

strategies" as well as "inc-ing load" and "relieving congestion"). This request encompasses all transactions conducted as part of such trading strategies engaged in by your company and the other company in the U.S. portion of the WSCC during the period 2000-2001.

**Response:** See Attachment 3.

**Request B:** Provide copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports, that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of the trading strategies discussed in the Enron memoranda, or similar trading strategies, in the U.S. portion of the WSCC during the period 2000-2001. The scope of this request encompasses all material that address or discuss your company's knowledge or awareness of *other* companies' use of the trading strategies discussed in the Enron memoranda, or similar trading strategies, including, but not limited to: (i) offers by such other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted; and (ii) possible responses by your companies to other companies' use of such trading strategies. To the extent that you wish to make a claim of privilege with respect to any responsive material, please provide an index of each of those materials, which includes the date of each individual document, its title, its recipient(s) and its sender(s), a summary of the contents of the document, and the basis of the claim of privilege.

**Response:** See Attachment 3.

### **III. Requests for Other Information**

**Request A:** On page 2 of the December 8, 2000, Enron memorandum, the authors allege that traders have learned to build in under-scheduling of energy into their models and forecasts. State whether your company built under-scheduling into any of its models or forecasts during the period 2000-2001, and provide a narrative description of such activity. Provide copies of all such models or forecasts prepared by or relied on by your company during the period 2000-2001 that had under-scheduling built into them.

**Response:**



SDG&E did not incorporate under-scheduling into any of the tools that it used in implementing its bidding strategy for load or supply.

Attachment 3 contains, in part, the testimony of Wayne Sakarias, SDG&E's Director of Fuel and Power Supply, dated October 2, 2000, which was submitted to the California Public Utilities Commission as part of SDG&E's application, among other things, to review the reasonableness of SDG&E's energy procurement practices. This testimony describes SDG&E's daily activities during the period of July 1, 1999 through August 31, 2000 for procuring energy for SDG&E's bundled service customers through the PX's Day-Ahead and day-of-markets and the ISO's Real-Time or imbalance market. It also describes SDG&E's bidding policies and practices, including its daily forecasting activities, which SDG&E followed in carrying out its energy procurement obligations during this July 1, 1999 through August 31, 2000 period so as to minimize the net cost of power for its bundled retail electric customers. These practices and policies were not utilized to increase profits. These policies and practices continued throughout 2000. An extract from Mr. Sakarias' more detailed discussion of these bidding policies and practices is set out immediately below. (See Sakarias Testimony, pages WS-22 through WS-36 for the complete discussion.)

"SDG&E's bidding practice was to bid at least one hundred percent of SDG&E's forecast metered bundled load into the PX Day-Ahead energy market. Bids into this market specify the price the buyer is willing to pay, and the amount of energy the buyer is willing to buy at that price. SDG&E's bids typically specify different price and quantity levels (the PX effectively permitted 14 different price/quantity pairs), to enable us to maximize the quantity we can buy at the lowest price possible in the Day-Ahead [Hour-Ahead and Real-Time] Markets. And to the extent we defer purchases to the day-of and imbalance markets, SDG&E tries to make purchases in those markets at prices that are lower than in the Day-Ahead market. These price-sensitive bids are structured such that at relatively lower Day-Ahead market clearing prices SDG&E buys more than its forecast bundled load. At relatively higher Day-Ahead market clearing prices SDG&E buys less than its forecast bundled load. SDG&E also submits Day-Ahead adjustment bids to the PX that the ISO used to manage congestion in its Day-Ahead congestion market. These adjustment bids may cause SDG&E's final Day-Ahead load schedules to be more or less than the quantities of load cleared through the PX Day-Ahead energy market.

"After the final Day-Ahead load schedules are determined, SDG&E submitted bids into the PX day-of market. SDG&E's bids into the PX day-of market are structured such that if day-of prices are low enough, SDG&E will buy incremental amounts of energy that would result in final gross Hour-Ahead load schedules that exceeded SDG&E's final Day-Ahead load schedules. Similarly, SDG&E's bids into the PX day-of market are structured such that if Hour-Ahead prices were high enough, SDG&E will sell incremental amounts of energy that would result in final gross Hour-Ahead load schedules that are less than SDG&E's final Day-Ahead load schedules. SDG&E also submits Hour-Ahead adjustment bids to the PX that the ISO uses to manage congestion in its Hour-Ahead congestion market. These adjustment bids may cause SDG&E's final Hour-Ahead load schedules to be more or less than the quantities of load cleared through the PX Hour-Ahead energy market.

"SDG&E also participates in the PX Post Close Quantity Match (PCQM) market after the close of both the Day-Ahead and Day-Of markets. This market allows SDG&E to make small adjustments to its final schedules at the closing market clearing price.

"In summary, SDG&E always bids at least 100% of its forecasted metered bundled load into the PX Day-Ahead energy market. The extent to which the PX ultimately schedules SDG&E's bid load depended on the price/quantity bids that other buyers and sellers offered into the PX markets. Depending on the quantity of load, which is included in SDG&E's final Day-Ahead load schedules, some portion of SDG&E's metered bundled load was bid into the PX day-of market. Bids into the PX's day-of energy markets, and bids used by the ISO in its Hour-Ahead congestion market, are structured such that different quantities of energy are bought or sold at different market clearing prices. Therefore, the percentage of SDG&E's bundled metered load bid into the California PX day-of market and ISO Hour-Ahead congestion market varies by hour and may be either positive or negative. These bids are all designed to maximize benefits to SDG&E's customers by minimizing their cost of energy."

In response to the FERC's December 15, 2000 order in San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services et al., 93 FERC ¶ 61,294, SDG&E's bidding policies and practices for procurement of energy dramatically changed from what was described by Mr. Sakarias. This order, in part, eliminated the mandatory PX buy-sell requirement imposed on each California public utility and required each utility to use its own generation and supply contracts to serve its retail load. Accordingly, effective January 1, 2001, SDG&E "self scheduled"

all available generation and nearly all contract energy against its bundled retail load until February 7, 2001. Thereafter SDG&E "self-scheduled" all contract energy against its bundled retail load. Effective on February 7, 2001, the State of California Department of Water Resources ("DWR") began serving SDG&E's retail customers net short requirements.

**Request B:**

Refer to the discussion of the trading strategy described as "Ricochet" in the Enron memoranda. State whether your company purchased energy from, or sold energy to, any Enron company, including Portland General Electric Company, as part of a "Ricochet" (or megawatt laundering) transaction during the period 2000-2001. Provide complete details as to such transactions, including the dates of the transactions; the names, titles, and telephone numbers of the traders at your company who engaged in such transactions; the prices at which your company bought and sold such energy (on a per transaction basis); the volumes bought and sold (on a per transaction basis); delivery points; and all corresponding schedules.

**Response:**

During the 2000-2001 period SDG&E did not purchase energy from, or sell energy to, any Enron company, including Portland General Electric Company, as part of the activity referred to as "Ricochet" (or megawatt laundering) transactions.

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May 21, 2002

Donald J. Gelinas  
Associate Director  
Office of Markets, Tariffs and Rates  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Docket No. PA02-2-000  
Response of Sempra Energy Resources

Dear Mr. Gelinas:

Attached to this letter are the responses of Sempra Energy Resources to your May 8, 2002, Data Request, as modified by your letter dated May 16, 2002, in the above-referenced docket. These responses are being submitted by Sempra Energy Resources on its own behalf, and not on behalf of any of its affiliated companies. Also attached is the Affidavit of Michael R. Niggli attesting to the information contained in Sempra Energy Resources' responses.

Although Sempra Energy Resources believes that it has met its obligation to review records and conduct interviews relevant to the Federal Energy Regulatory Commission's inquiries, Sempra Energy Resources reserves the right to supplement its response if warranted by the discovery of additional information.

Respectfully submitted,

C. Larry Davis  
Attorney for  
Sempra Energy Resources

Attachments (2)

CLD/sma

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Fact-Finding Investigation of Potential )  
Manipulation of Electric and Natural Gas )  
Prices )  
\_\_\_\_\_ )

Docket No. PA02-2-000

**RESPONSE OF SEMPRA ENERGY RESOURCES TO STAFF'S FIRST SET OF  
DATA REQUESTS**

**I. Requests for Admissions ("RFA")**

**RFA A.1:** Admit or Deny: The company engaged in activity referred to in the Enron memoranda as "**Export of California Power**" during the period 2000-2001, in which the company buys energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets (which were capped) and uncapped markets outside California.

**Response:** Deny.

**RFA A.2:** If you so admit, provide complete details as to all transactions your company engaged in as part of this activity, including the dates of all purchases and sales of energy and/or ancillary services, counterparties to the transactions, prices and volumes, delivery points, and corresponding Cal ISO schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** Not applicable ("N/A").

**RFA B.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Non-Firm Export**" during the period 2000-2001, in which the company gets a counterflow (scheduling energy in the opposite direction of a constraint) congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California, and cutting the non-firm energy after it receives such payment.

**Response:** Deny.

**RFA B.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, congestion payments received, corresponding Cal ISO schedules, counter parties, and delivery points. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA C.1.:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Death Star**" during the period 2000-2001, in which the company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid. This allows the company to receive congestion payments from the Cal ISO.

**Response:** Deny.

**RFA C.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all transmission and energy schedules, the counter parties, all congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA D.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Load Shift**" during the period 2000-2001. This variant of "relieving congestion" involves submitting artificial schedules in order to receive inter-zonal congestion payments. The appearance of congestion is created by deliberately over-scheduling load in one zone (e.g., NP-15), and under-scheduling load in another, connecting zone (e.g., SP-15); and shifting load from a congested zone to the less congested zone, thereby earning congestion payments for reducing congestion.

**Response:** Deny.

**RFA D.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all schedules of load by zone, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA E.1:**

Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Get Shorty**" during the period 2000-2001, also known as "paper trading" of ancillary services in which it: (i) sells ancillary services in the Day-ahead market; and (ii) the next day, in the real-time market, the company "zeros out" the ancillary services by canceling the commitment to sell and buying ancillary services in the real-time market to cover its position. The phrase "paper trading" is used because the seller does not actually have the ancillary services to sell.

**Response:**

Deny.

**RFA E.2:**

If you so admit, provide complete details as to all transactions that your company engaged in as part of this trading strategy, including the dates of all transactions; prices and volumes for sales of ancillary services in the Day-ahead market; the cancellation of such sales, prices and volumes for the purchase of ancillary services in the real-time market to cover the company's position; and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:**

N/A.

**RFA F.1:**

Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Wheel Out**" during the period 2000-2001. Knowing that an intertie is completely constrained (*i.e.*, its capacity is set at zero), or that a line is out of service, the company schedules a transmission flow over the facility. The company also knows that the schedule will be cut and it will receive a congestion payment without actually having to send energy over the facility.

**Response:**

Deny.

**RFA F.2:**

If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, counter parties, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:**

N/A.

**RFA G.1:**

Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Fat Boy**" during the period 2000-2001 in which the company artificially increases load on the schedule it submits to the Cal ISO with a corresponding amount of

generation. The company then dispatches the generation its schedules, which is in excess of its actual load. This results in the Cal ISO paying the company for the excess generation. Scheduling coordinators that serve load in California may be able to use this activity to include the generation of other sellers.

**Response:** Deny.

**RFA G.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, and payments from the Cal ISO for excess generation (including both price and volumes). Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA H.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Ricochet**," also known as "megawatt laundering," during the period 2000-2001, in which the company: (i) buys energy from the Cal PX and exports to another entity, which charges a small fee; and (ii) the first company resells the energy back to the Cal ISO in the real-time market.

**Response:** Deny.

**RFA H.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, names of counter parties and whether they were affiliates, the fees charged, prices and volumes for energy that was bought and then resold. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA I.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Selling Non-Firm Energy as Firm Energy**" during the period 2000-2001, in which the company sells or resells what is actually non-firm energy to the Cal PX, but claims that it is "firm" energy. This allows the company to receive payment from the Cal ISO for ancillary services that it claims to be providing, but does not in fact provide.

**Response:** Deny.



**RFA I.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, prices and volumes, and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA J.1:** Admit or Deny: The company engaged in activity described in the Enron memoranda as "**Scheduling Energy to Collect Congestion Charge II**" during the period 2000-2001, in which the company: (i) schedules a counterflow even though it does not have any available generation; (ii) in real time, the Cal ISO charges the company for each MW that it was short; and (iii) the company collects a congestion payment associated with the counterflow scheduled. This activity is profitable whenever the congestion payment is greater than the charge associated with the energy that was not delivered.

**Response:** Deny.

**RFA J.2:** If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, corresponding schedules, prices and volumes, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

**Response:** N/A.

**RFA K.1:** Admit or Deny: The company engaged in any activity during the period 2000-2001 that is a variant of any of the above-described activities or that is a variant of, or uses the activities known as, "inc-ing load" or "relieving congestion," as described above.

**Response:** Deny.

**RFA K.2:** If you so admit, provide a narrative description of each specific time in which the company engaged in such activity and provide complete details of those transactions, including the dates of the transactions, counter parties, prices and volumes bought or sold, corresponding schedules, and any congestion payments received. Also, provide all documents that refer to or relate to such activities.

**Response:** N/A.

## II. Requests for Production of Documents

**Request A:**

Provide copies of all communications or correspondence, including e-mail messages, instant messages, or telephone logs, between your company and any other company (including your affiliates or subsidiaries) with respect to all of the trading strategies discussed in the Enron memoranda (both the ten "representative trading strategies" as well as "inc-ing load" and "relieving congestion"). This request encompasses all transactions conducted as part of such trading strategies engaged in by your company and the other company in the U.S. portion of the WSCC during the period 2000-2001.

**Response:**

Sempra Energy Resources responds that it has conducted a diligent search for documents responsive to this Request, and that no documents responsive to this Request have been located.

**Request B:**

Provide copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports, that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of the trading strategies discussed in the Enron memoranda, or similar trading strategies, in the U.S. portion of the WSCC during the period 2000-2001. The scope of this request encompasses all material that address or discuss your company's knowledge or awareness of *other* companies' use of the trading strategies discussed in the Enron memoranda, or similar trading strategies, including, but not limited to: (i) offers by such other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted; and (ii) possible responses by your companies to other companies' use of such trading strategies. To the extent that you wish to make a claim of privilege with respect to any responsive material, please provide an index of each of those materials, which includes the date of each individual document, its title, its recipient(s) and its sender(s), a summary of the contents of the document, and the basis of the claim of privilege.

**Response:**

Sempra Energy Resources responds that it has conducted a diligent search for documents responsive to this Request, and that no documents responsive to this Request have been located.

### III. Requests for Other Information

**Request A:**

On page 2 of the December 8, 2000, Enron memorandum, the authors allege that traders have learned to build in under-scheduling of energy into their models and forecasts. State whether your company built under-scheduling into any of its models or forecasts during the period 2000-2001, and provide a narrative description of such activity. Provide copies of all such models or forecasts prepared by or relied on by your company during the period 2000-2001 that had under-scheduling built into them.

**Response:**

Sempra Energy Resources responds that it did not build under-scheduling into any of its models or forecasts during the period 2000-2001, and therefore has no models or forecasts in its possession responsive to this Request.

**Request B:**

Refer to the discussion of the trading strategy described as "Ricochet" in the Enron memoranda. State whether your company purchased energy from, or sold energy to, any Enron company, including Portland General Electric Company, as part of a "Ricochet" (or megawatt laundering) transaction during the period 2000-2001. Provide complete details as to such transactions, including the dates of the transactions; the names, titles, and telephone numbers of the traders at your company who engaged in such transactions; the prices at which your company bought and sold such energy (on a per transaction basis); the volumes bought and sold (on a per transaction basis); delivery points; and all corresponding schedules.

**Response:**

Sempra Energy Resources responds that it did not purchase energy from or sell energy to any Enron company, including Portland General Electric Company, as part of a "Ricochet" (or megawatt laundering) transaction during the period 2000-2001, and therefore has no documents in its possession responsive to the Request.